

Supply

softwood but concerns the red cedar and shake problem. It has nothing to do with subsidies, by the Americans' own admission, but from what I can gather they are concerned about competition and the problems caused by that competition in the United States.

The International Trade Commission recommended that the President step in—and I ask the Minister to confirm this—and impose a duty of about 35 per cent on our red cedar shingles and shakes. Could the Minister confirm that that is a proposal or initiative of the ITC? If so, why is that proposal being made in light of there being no subsidies?

Mr. Merrithew: Mr. Speaker, the Hon. Member knows that the shakes and shingle industry in the United States has filed an action against Canada. Again we are perceived to have some sort of subsidy or benefit for our producers, much to the chagrin and loss of American producers. Also it is interesting to note that the vote on the preliminary ruling was very close. I think it was three to three or four to three, or perhaps the reverse of those numbers. However, it is important that they recommended to the administration that there be a 35 per cent countervail duty not on all shakes and shingles but on red cedar shakes and shingles only. We have protested that in no uncertain terms. We have some doubt as to whether the U.S. industry can supply all the demand. We have fought that all along the route and will continue to do so.

Mr. Ken James (Sarnia—Lambton): Mr. Speaker, the Government has embarked upon a number of steps aimed at securing and improving Canada's access to world markets generally and to the U.S. market particularly. I want to take this opportunity today to outline the many important considerations which have led us to conclude that these initiatives were essential to promote the well-being of the Canadian economy and future prospects for a continued healthy growth of output, employment, and incomes of Canadians.

In my judgment, the very substantial consensus across the length and breadth of the country in support of seeking a comprehensive trade agreement with the United States reflects a growing concern that the Canadian economy is becoming increasingly vulnerable as a result of a number of adverse developments which have been building up for a period of several years.

Taken together, these developments present a serious threat to a continued healthy growth of Canadian output, employment, and real incomes. As the C. D. Howe Institute put it in a recent statement, "The *status quo* cannot be the goal of economic policy if Canadian living standards are to continue to rise in the future".

Canada has long been in the forefront of the countries which have supported the progressive liberalization of world trade under the GATT, and indeed continues to be in that position. However, there has been a growing appreciation that further progress on the international front is likely to be very slow and to address only a limited number of pressing concerns which Canada has with the United States. It is this market which

currently absorbs more than 75 per cent of all our merchandise exports and is critical to the well-being of the Canadian economy.

It has become glaringly evident that the policies and practices, which may have served Canada well in the past, have become increasingly untenable. The necessity of adjusting to rapid change is now one of the inescapable facts of Canadian economic life. The C. D. Howe Institute declared recently in its *Policy Review and Outlook, 1986* the following:

Governments can try to delay the inevitable by preserving the *status quo*. But delay simply increases the magnitude of the adjustments when they come, as come they must.

One of the major forces for change which has developed over the past several years is the massive increases in trade protection pressures that have taken place around the world, particularly in the United States, the major buyer of our exports.

South of the border these protectionist measures have taken two forms. One is increasingly intense resort by U.S. firms and the U.S. administration to existing trade protection measures such as countervailing and anti-dumping duties and so-called safeguards, in an effort to cut back the flow of exports from Canada as well as from other countries. Of equal or greater concern are the more than 300 Bills currently before Congress to establish new protectionist measures, many of which could have a seriously adverse impact on Canadian imports and Canadian jobs. Existing and proposed protectionist measures pose a threat to more than just current exports and current jobs. They also serve to compel some Canadian companies to invest south of the border in order to avoid such measures, as Bombardier felt required to do to help secure a \$1 billion order for subway cars in the United States. The result of such developments is a loss of investment that otherwise would take place in Canada and the loss of new jobs that otherwise would be created in our country.

● (1630)

Even more important, Mr. Speaker, than the present and prospective protectionist threat to our trade with the United States is the increasingly adverse impact of a number of other developments that have combined to compound severely the problems we face as the only industrial nation in the world, other than Australia, that does not have free access to a market of 100 million people or more.

Included among those developments is the continued decline in relative importance of Canadian resource exports both because of changing technology that has led to the replacement of some of these products by other materials, copper wire by fibre optics, for example, and because of the increasingly intense competition from a number of less developed countries.

In addition, we have faced increasingly significant competition in the field of manufacturing from the newly industrialized countries, such as, South Korea and Hong Kong. Canada has also faced increasingly intense pressures in the marketplace at home and abroad from other more advanced industrial